Reconsideration is respectfully requested in light of the amendments and remarks presented herein.

Walker, et al. discloses a system and method for issuing security-deposit guarantees based on credit-card accounts. *Walker et al.* teaches a system and method that is useful where a credit-card holder (i.e., a tenant/lessee) enters into a lease agreement with a landlord/lessor who is not the credit-card issuer, and the lease agreement requires a security deposit. Such lease agreements are common in connection with the leasing of real property, automobiles, cellular telephones, and the like. In a conventional lease of this type, the tenant/lessee would transfer the agreed-upon security-deposit in cash-based money to the landlord/lessor simply for holding until the end of the lease, whereupon the landlord/lessor may or may not return all or part of it to the tenant/lessee depending upon the condition of the leased property at the end of the lease. Obviously, this requires the tenant/lessee to have accumulated and then part with an amount that may be a considerable sum at the beginning of the lease, and this considerable sum is put to no use by either the tenant/lessee or landlord/lessor for the term of the lease.

Instead of the conventional process, *Walker et al.* teaches a system and method where a tenant/lessee may get his/her credit-card issuer to guarantee the security deposit to the landlord/lessor. The tenant/lessee need not accumulate the considerable funds needed for the security deposit and/or need not forego opportunities for this considerable sum that might otherwise be available to the tenant/lessee. At the same time, the landlord/lessor is provided assurances through the credit-card issuer that the security-deposit funds will be made available to the landlord/lessor if needed by the landlord/lessor

at the end of the lease term. In return for providing the security-deposit guarantee, the credit-card issuer will lower the tenant/lessee's credit limit and charge the tenant/lessee other processing fees that may be deemed appropriate. At the end of the lease, should the landlord/lessor make a claim for security-deposit funds, such security-deposit funds will be given to the landlord/lessor by the credit-card issuer, and the credit-card issuer will then modify the credit-card account of the tenant/lessee to reflect any security-deposit funds transferred to the landlord/lessor.

Applicant's invention as defined by claims 1-20 differs considerably from the system and method taught by *Walker et al.* Claims 1, 16, and 20 are the independent claims in this application. Referring to the invention as defined in claim 1, the examiner is respectfully requested to note that applicant's process establishes a reserve credit account (RCA), not a security deposit account as taught in *Walker et al.* While *Walker et al.* teaches that security deposits are *required* by a landlord/lessor, applicant's claim 1 recites that funds are accumulated in the RCA in response to payments *voluntarily* given by the customer after the leasing transaction. Independent claims 16 and 20 include similar limitations, and these limitations are read into claims 2-15 and 17-19 through dependency from independent claims 1 and 16. While the following discussion is specifically directed to claim 1, it applies equally to all claims pending in the application.

In discussing claim 1, the Office Action states that the Examiner "interprets" the function of establishing applicant's claimed reserve credit account (RCA) "as equivalent tho" (sic) Walker's security deposit. This is an arbitrary interpretation

for which there is no basis in fact and which mischaracterizes the prior art. Nor has the Office Action attempted to provide any basis, reason, line of logic, or other support to justify the arbitrary mischaracterizing interpretation.

Security deposits are well known in the art, and *Walker et al.* provides a definition at column 6 line 57 that is consistent with the well-known definition. No "interpretation" is needed because "security deposit" is a well understood phrase. A security deposit is required, as indicated in *Walker et al.* at column 1 line 15, column 4 line 50, column 6 line 47, column 6 line 51, column 7 line 41, column 12 line 29, and the like. Indeed, if a landlord/lessor does not require a security deposit, then a tenant/lessee will simply voluntarily elect not to provide one. The lease or other agreement/transaction to which the security deposit applies will not take place unless the required security deposit is provided by the lessee. In accordance with the teaching of *Walker et al.*, the security deposit may be provided by a security deposit guarantee from the tenant/lessee's credit-card issuer. Or in accordance with more conventional practices, the security deposit may be provided directly from the lessee on a cash basis. Regardless of how a security deposit may be provided, it is provided at or prior to the leasing (i.e., first) transaction, as discussed in *Walker et al.* at column 6 lines 52-53. In addition, Fig 7C of *Walker et al.* indicates that the lessor signs the lease agreement in step S7-20, which occurs at the very end of the process, thereby completing the transaction. But the security deposit guarantee was generated earlier, such as in step S7-15 (Fig. 7B).

And nothing in *Walker et al.* teaches or suggests of a tenant/lessee voluntarily increasing the security deposit after the lease transaction is complete. In fact, the idea of a

tenant/lessee voluntarily increasing a security deposit after a lease transaction is complete is ludicrous, and certainly not obvious. After the transaction, the parties have certain obligations as set forth in an agreement. *Walker et al.* neither teaches nor suggests of any advantage to accrue to a tenant/lessee (and corresponding obligation on the part of a landlord/lessor) as a result of voluntarily increasing a security deposit. Accordingly, a tenant/lessee would not part with his or her precious funds to make a voluntary payment to a security deposit and receive no advantage thereby.

MPEP 706.02(j) and MPEP 2143 set forth the three basic criteria for making a *prima facie* case of obviousness, as follows:

> To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, not in applicant's disclosure.

Using these well-recognized guidelines, no *prima facie* case has been made against applicant's claims, and applicant's claims should be found allowable.

The prior art fails to teach or suggest the claim limitations of a reserve credit account (RCA). Mischaracterizing the well-known function of a security deposit as being equivalent to an RCA does not make a security deposit an RCA. Nothing about a

security deposit implies, suggests, or otherwise operates as a credit or credit account.

The prior art also fails to teach an RCA to which voluntary payments are made. There is nothing voluntary about a security deposit as taught by *Walker et al.* because the original leasing transaction will not take place unless the security deposit is provided by the tenant/lessee. The word "voluntary" means "acting or done without compulsion or obligation," Random House Webster's Unabridged Electronic Dictionary, copyright 1989-1996. The Examiner may also review applicant's specification at page 13 line 7 to observe consistent usage of the word "voluntarily" in the context of the preferred embodiment. In the invention defined in claim 1, a customer, without compulsion or obligation to do so, makes payments that are recorded in the RCA. The voluntary payments are not taught by *Walker et al.*, whether in connection with a security deposit, a function or account that applicant does not claim, any other type of account or function.

Moreover, the prior art fails to teach of an RCA to which a customer makes voluntary payments to a merchant after a first leasing transaction. One may argue that a leasing transaction itself is often a voluntary act because the customer is typically not under compulsion or obligation to enter into the leasing transaction. But after the leasing transaction, payments and actions of the parties are conventionally governed by obligations compelled by a leasing agreement. *Walker et al.* teaches or suggests only of a customer making rental, lease, or other compulsory payments to a merchant after the leasing transaction. The customer is compelled or obligated to make such payments by the leasing transaction, and imposing this obligation on the customer is one of the primary purposes of the leasing

transaction. Such compulsory payments made by the customer to the merchant after the leasing transaction are certainly not voluntary.

For any one of these reasons where the prior art fails to teach or suggest claim limitations, all of applicant's claims should be found allowable, and all of applicant's claims should certainly be found allowable for all of these reasons when considered together.

Moreover, the motivation or suggestion to modify the prior art into a process that resembles applicant's claimed invention, as required for a *prima facie* case is also absent in this situation, and applicant's claims should be found allowable for this absence of motivation or suggestion. As affirmed by the Court of Appeals for the Federal Circuit, to support combining or modifying references in a §103 rejection, evidence of a suggestion, teaching, or motivation to combine or modify must be clear and particular, and this requirement is not met by merely offering broad, conclusory statements about teachings of references. *In re Dembiczak*, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999).

The Office Action offers no clear and particular motivation for making the modifications that would be required to make claims 1-20 obvious, but merely offers a broad conclusory statement, such as "the Examiner interprets the function of establishing a reserve credit account (RCA) as equivalent to Walker's security deposit". Applicant respectfully challenges the examiner to either find prior art that anticipates or renders the subject matter recited in claims 1-20 obvious, or to allow the claims.

The Office Action fails to provide evidence from the prior art or other line of reasoning to explain why one skilled in the art might be motivated to modify a security deposit into an RCA or to make voluntary payments to a security deposit after a first transaction. Any suggestion for doing such things comes from applicant's specification, not the prior art. But the use of applicant's specification to provide the motivation or suggestion would amount to an impermissible use of hindsight.

Evidence indicating that hindsight has been used in making an obviousness rejection is well-established grounds for reversing obviousness rejections. As stated in In re Fritch 23 USPQ 2d 1780, 1784 (Fed. Cir. 1992):

> It is impermissible to use the claimed invention as an instruction manual or "template" to piece together the teachings of the prior art so that the claimed invention is rendered obvious. This court has previously stated that "[o]ne cannot use hindsight reconstruction to pick and choose among isolated disclosures in the prior art to deprecate the claimed invention".

While evidence of a hindsight reconstruction may come from any quarter, false characterizations of the prior art provide particularly persuasive evidence. As stated in Ingersoll-Rand Co. v. Brunner & Lay, Inc. 1177 USPQ 112, 116 (5th Cir 1973):

> Moreover, it is not realistic to pick and choose from any one reference only so much of it as will support a given position, to the exclusion of other parts necessary to the full appreciation of what such reference fairly suggests to one of ordinary skill in the art (emphasis supplied).

Furthermore, as stated in In re Lunsford 148 USPQ 716, 719-720 (CCPA 1966):

> In deciding the question of obviousness under 35 U.S.C. §103, it is not proper to pick and choose from any one

> reference only so much of it as will support a position, to the exclusion of other parts necessary to the full appreciation of what such reference fully suggests to one of ordinary skill in the art (emphasis supplied).

In connection with the present application, the evidence of an impermissible hindsight reconstruction in making the obviousness rejection of applicants' claims 1-20 is strong. The Office Action mischaracterizes a well known security deposit account as being equivalent to applicant's claimed RCA, even though *Walker et al.* explicitly defines "security deposit" in a manner consistent with the common meaning and even though applicant's RCA is defined within the claims as being used to record the accumulation of funds voluntarily given. This mischaracterization relates to subject matter that comes from applicant's specification, and not the *Walker et al.* reference, further establishing grounds for reversing the obviousness rejection. Reconsideration is respectfully requested.

While all claims should be found allowable for the above-discussed reasons, additional reasons apply to specific claims. For example, with respect to claim 2, the Office Action apparently equates "transfer of property" as discussed in *Walker et al.* at column 6 lines 40-50 with the "option to purchase" recited in claim 2. This represents another hindsight reconstruction where applicant's specification is being read into the prior art and the prior art is not being evaluated for what it fully and fairly teaches and suggests to those skilled in the art. Those skilled in the art know full well that possession of leased/rented property is transferred to the customer, but the customer does not purchase the property. This is precisely the concept discussed at the cited passage in *Walker et al.*

With respect to claim 4, the Office Action cites *Walker et al.* at column 3 line 65 through column 4 line 62 as being a teaching of applicant's claimed further accumulation of funds in the RCA beyond the payments voluntarily given to the merchant by the customer. As discussed above, *Walker et al.* deals with a security deposit not an RCA, and nothing in *Walker et al.* is concerned with voluntary payments made by the customer after the leasing transaction. But even ignoring these claimed elements that are found in applicant's specification but not in the prior art, nothing in the cited passage discusses further accumulating funds in the RCA beyond those funds voluntarily paid to the RCA by the customer. This amounts to another mischaracterization of the prior art that evidences the impermissible application of hindsight, where the teaching of applicant's specification is attributed to the prior art and the prior art is not considered for what it fully and fairly teaches to those skilled in the art. This is provides additional evidence supporting a finding of non-obviousness with respect to claim 4.

With respect to claims 5-6, the Office Action alleges that the merchant has not any limitation on the items that are object of business, as taught at column 6 lines 46-56. But a review of the cited passage only indicates another attempt at mischaracterization which evidences the impermissible application of hindsight and provides strong evidence in support of reversal of an obviousness rejection. In this passage the generic term "property" is mentioned along with more specific terms for apartments, cellular telephones, and automobiles. Nothing indicates that there is no limitation on the items that are the object of business, as alleged by the Office Action. The specific recitation of apartments, cellular telephones and automobiles certainly does not indicate "jewelry" as recited in claim 6, and the generic indication of property fails to provide

the sort of clear and particular teaching or suggestion required by *In re Dembiczak, supra*. Reconsideration is respectfully requested.

With respect to claim 7, the Office Action acknowledges that *Walker et al.* fails to disclose applicant's claimed gemstone identification process. Claim 7 should be found allowable for the reasons presented above in connection with the discussion of claim 1 and also for the reasons set forth above in connection with claims 5-6. But claim 7 should also be found allowable because there is no suggestion or motivation to combine a gemstone identification process with the types of cellular telephone, automobile, and/or apartment rental transactions contemplated in *Walker et al.* If one were to combine a gemstone identification process with cellular telephone, automobile, and/or apartment rental transactions, the result would simply be a waste of time and money to no advantage because the gemstone identification process is specifically adapted for gemstones not any of the types of property contemplated in *Walker et al.*

With respect to claim 7, the Office Action takes official notice that "the merchant performs identification or appraisal of the items object of the business.." Applicant respectfully requests the Examiner to note that claim 7 does not recite a generic "identification or appraisal". Rather, claim 7 recites the performance of a gemstone identification process. Moreover, the prior art simply fails to teach of using a gemstone identification process as part of a leasing transaction, and it is improper to take Official Notice of subject matter not taught or suggested by the prior art. Applicant respectfully challenges the Examiner to: 1) find prior art that teaches the things actually recited in applicant's claims that are believed to be obvious, 2) provide an affidavit as set forth by 37 CFR 1.107 (b)

disclosing matters within the Examiner's personal knowledge, or 3) allow applicants' claims.

With respect to claim 8, the Office Action cites *Walker et al.* at column 1 lines 20-44 as teaching or suggesting setting a purchase price sufficiently high so that theft of the item would be a felony. This allegation represents another serious misrepresentation of that which the prior art fully and fairly teaches to one skilled in the art. Nowhere in this passage are purchase prices or felonies discussed, and nowhere in this passage is any connection between purchase prices and felonies made. Such mischaracterizations of the prior art provide further strong evidence that hindsight obtained from applicant's specification has been used and that any finding of obviousness should be reversed.

With respect to claims 9-10, the Office Action cites *Walker et al.* at column 12 lines 23-45 as teaching or suggesting the purchasing of insurance and naming the merchant as loss payee. Yet again, the allegation provides a serious misrepresentation of that which the prior art fully and fairly teaches to one skilled in the art. Nowhere in this passage is insurance discussed or suggested, and the naming of a loss payee is certainly not discussed or suggested. Rather, this passage discusses the requirement for the customer to put forth a security deposit, either cash-based or a security-deposit guarantee. The passage also discusses providing a copy of a lease agreement and issuing (not insuring) a security deposit guarantee certificate of a specified value.

As discussed earlier, the Office Action improperly equated applicant's claimed RCA with the well-known security deposit. Now, with respect to claim 9 the Office Action improperly equates

the well-known security deposit with insurance. As discussed above, security deposits are well known in the leasing arts. *Walker et al.* provides a definition of a security deposit that is consistent with the well-known meaning, and that definition makes it clear that a security deposit is not insurance. A security deposit is certainly not an RCA, it is certainly not insurance, and it is most certainly not both simultaneously. The misrepresentation of the security deposit discussed in *Walker et al.* again provides strong evidence that hindsight gained from applicant's specification has been used and that any finding of obviousness should be reversed.

With respect to claim 11, the Office Action acknowledges that *Walker et al.* fails to teach removing an obligation to make subsequent periodic lease payments upon a return of the leased item. But the Office Action takes official notice that such limitations are old and well known within the lease agreement arts. Applicant disagrees and respectfully challenges the Examiner to provide an example of such. In particular, applicant respectfully challenges the Examiner to: 1) find prior art that teaches the things actually recited in applicant's claims that are believed to be obvious, 2) provide an affidavit as set forth by 37 CFR 1.107 (b) disclosing matters within the Examiner's personal knowledge, or 3) allow applicants' claims.

With respect to claim 12, the Office Action cites *Walker et al.* at column 13 lines 39-46 as teaching or suggesting transacting the second transaction within a predetermined period of time following the return of the item. This allegation represents another serious misrepresentation of that which the prior art fully and fairly teaches to one skilled in the art. Nowhere in this passage are second or other transactions discussed, are returning items discussed, or is a temporal

relationship between a second transaction and item-return discussed. Rather, this passage discusses step S7-15 (Fig. 7B) which takes place prior to completion of the first transaction where the lease agreement is signed by the lessor (see step S7-20, Fig. 7C). Moreover, step S7-15 relates to a credit-card issuer generating a security deposit guarantee. Mischaracterizations of the prior art such as this provide further strong evidence that hindsight obtained from applicant's specification has been used and that any finding of obviousness should be reversed.

With respect to claims 13 and 14, the Office Action cites *Walker et al.* at column 14 lines 14-36 as teaching or suggesting: a) sending statements from the merchant to the customer, and b) indicating funds needed to purchase the item by the customer from the merchant. Once again, the Office Action has characterized the prior art in a seriously misrepresented manner which evidences the use of hindsight obtained from applicant's specification.

The cited passage of *Walker et al.* fails to disclose or suggest anything like the subject matter credited to it by the Office Action. This passage fails to teach or suggest sending statements, it fails to teach or suggest purchasing and it fails to teach or suggest indicating funds needed to purchase. Rather, the cited passage discusses steps S7-18 through S7-20 (Fig. 7C) of the *Walker et al.* process. In step S7-18 the credit-card issuer (not the merchant) processes a monthly fee against the tenant/lessee's credit-card account. Nothing teaches or suggests sending a statement, and if it did -- which it does not -- it would be from the credit-card issuer not the merchant. In step S7-19 the tenant/lessee presents the lease agreement and security deposit guarantee to the landlord/lessor. Nothing teaches or

suggests statements or purchase prices. In step S7-20 the landlord/lessor signs the agreement thereby concluding the leasing transaction. Again, nothing in *Walker et al.* discusses sending statements or identifying funds needed to purchase the leased item. The serious mischaracterizations of the prior art as teaching that which applicant teaches rather than that which the prior art fully and fairly teaches and suggests to one of skill in the art provides further strong evidence that hindsight obtained from applicant's specification has been used and that any finding of obviousness should be reversed.

Claims 16 and 20 are other independent claims, with claims 17-19 depending from claim 16. Claims 16-20 recite subject matter that is similar to the subject matter recited in one or more of claims 1-15 and discussed above. Claims 16-20 are therefore allowable for the reasons presented above.

Applicant believes that the foregoing remarks are fully responsive to the rejections recited in the 24 April 2002 Office Action and that the present application is now in a condition for allowance. Accordingly, reconsideration of the present application is respectfully requested. The examiner is respectfully invited to call the below-indicated attorney if the examiner believes that such a call might be helpful to the examination of this application or to the expeditious allowance of claims.

Respectfully submitted,

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APPENDIX A

(MARKED-UP CLAIM AMENDMENTS)

1. (AMENDED) A new and useful process for managing ownership of a valuable item involved in a first financial transaction between a merchant and a customer, said process comprising:

leasing said item to a customer in said first financial transaction so that said customer is thereafter obligated to make periodic lease payments to said merchant;

establishing a reserve credit account (RCA) for said customer with said merchant;

recording the accumulation of funds in said RCA in response to payments voluntarily given to said merchant by said customer after said first financial transaction; and

engaging in a second financial transaction between said customer and said merchant, said second financial transaction occurring after said first financial transaction and involving one of said item and another item at the option of said customer, and said second financial transaction causing funds recorded in said RCA to be reduced.

16. (AMENDED) A new and useful process for managing ownership of a valuable item involved in a first financial transaction between a merchant and a customer, said process comprising the steps of:

forming a lease agreement for leasing said item to a customer in said first financial transaction, said lease agreement being configured so that said customer is obligated to make periodic lease payments to said merchant;

establishing a reserve credit account (RCA) for said customer with said merchant;

registering the accumulation of funds in said RCA in response to voluntary payments received by said merchant from said customer after said first financial transaction; and

recording a second financial transaction between said customer and said merchant, said second financial transaction occurring after said first financial transaction, said second financial transaction involving one of said item and another item at the option of said customer, and said second financial transaction causing funds recorded in said RCA to be reduced.

20. (AMENDED) A new and useful process for managing ownership of a valuable item involved in a first financial transaction between a merchant and a customer, said process comprising:

leasing said item to a customer in said first financial transaction so that a lease term is established, a purchase price for said item is set, said customer is obligated to make periodic lease payments to said merchant, said customer has an option to purchase said item from said merchant for said purchase price during said lease term, and said obligation to make subsequent periodic lease payments is removed upon a return of said item to said merchant during said lease term;

establishing a reserve credit account (RCA) for said customer with said merchant;

recording the accumulation of funds in said RCA in response to payments voluntarily given to said merchant by said customer after said first financial transaction, said funds accumulating to quantities greater than the total of said payments voluntarily given to said merchant by said customer;

posting said lease payments to accounts for rent and sales tax as said lease payments are received;

sending statements from said merchant to said customer from time to time, said statements indicating quantities of funds recorded in said RCA for said customer; and

engaging in a second financial transaction between said customer and said merchant, said second financial transaction occurring after said first financial transaction, said second financial transaction involving one of said item and another item at the option of said customer, and said second financial transaction causing funds recorded in said RCA to be reduced.

APPENDIX B

(MARKED-UP SPECIFICATION AMENDMENTS)

Please replace the paragraph beginning on page 11 line 1 with the following:

While not necessarily collected during task 50, gemstone identification (ID) numbers are also included in item list 52 for item 10. As discussed above, item 10 may include gemstone 16. In the preferred embodiment, a gemstone identification process is performed for gemstone 16 to provide a data set (not [~~shows~~] shown) which can be later used to physically identify gemstone 16. The data set is obtained as a result of optically scanning gemstone 16. One example of such a gemstone identification process is presented in U.S. Patent No. 5,124,935 entitled "Gemstone Identification, Tracking and Recovery System," assigned to Omphalos Recovery Systems, Inc. of Toronto, Canada. The gemstone ID number included in item list 52 identifies the data set. However, this ID number may be supplied after performing task 50.